

Transformation in the Emerging Networked Economy: Implications for Strategic Marketing

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Track 16 Strategic Marketing Issues

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Abstract

Electronic business developments have the potential for considerable strategic implications on the way organisations operate and service their markets. When the impact is considerable, an organisation is required to make changes in order to survive successfully. Substantial change may involve transformation. Managers therefore need to develop a better understanding of the theory and processes associated with transformation.

An earlier study of our research group probed the dimensions of perceived transformation of senior managers. From this a model was developed in an attempt to conceptualise the dynamics of transformation (See Figure2). A further research project (MSAT 2002) was undertaken in order to explore the implications of ebusiness developments on changes and potential transformation which may impact on marketing dynamics of organisations in the sample.

Ebusiness Transformation

Changes in the status quo brought about by developments in ebusiness have impacted on industries, firms and functions. These changes are often so substantial as to be perceived as transformation. For example at the industry level, banks have made a surge in the use of electronic supply chain activities such as vendor evaluation, procurement and logistics (Robertson 2002). In the chemical industry, ebusiness is having a big impact on the way business is being conducted so that new business models are emerging that could change business structures and redefine value chains (Bartels 2001). Convincing arguments have been made to suggest that successful electronic transformation represents the greatest value creation potential for the petroleum industry (Paisie 2001). The US Defence Department is reviewing several organisational, role and mission options that will emphasise ebusiness and accelerate the transformation of the Department's business processes (Lawlor 2002). The

media industry see ebusiness applications for rich media management including content indexing and security, digital rights management, content transformation and delivery (Boeri 2002).

Functions across industries are also being impacted by ebusiness developments. For example ebusiness transformation in financial management of organisations is taking place as it connects all the parties involved in the process, enables information sharing and facilitates structured and controlled interactions thorough proper channels, connectivity, electronic information and workflow (Gundavelli 2002).

The transformation phenomena was seen to be of particular interest in observing the changes occurring for organisations and industries moving from conventional '*place*' operations, into the emerging electronic channels such as the Internet, also known as '*space*' (Rayport and Sviokla, 1994). E-transformation has been defined at the company level as a company that has implemented a combination of aggressive deployment of ebusiness enablers and decapitalised itself of asset intensive, low margin, value destroying businesses and supply chain components (Praisie 2001).

Research Project

A research project was undertaken by the Marketing Strategy and Technology Group at UTS, Sydney and funded by Alcatel (MSAT 2002). The research objective was to research the opinions of senior managers in a selection of Australian based organisations regarding the issues arising from developments associated with electronic business (EB) and electronic commerce (EC). Two industry groups were chosen on the basis of their potential susceptibility and exposure to electronic changes. Participating organisations were selected on the basis of firstly researching telecommunication organisations, which are closely involved with providing the infrastructure, network and platform applications necessary for EB to operate and expand. These managers are consequently aware of the current and critical issues fundamental to EB expansion and development. They also have insights into the issues that manager's face in other organisations and industry groups, which are likely to be affected by the introduction of electronic business approaches.

The second sampling frame included two large organisations in the banking industry. Retail banking services were chosen as they have the potential to be transformed away from the traditional bricks and mortar branch network to a virtual or electronic based service for banking customers.

Research Methodology

As the research objective was to uncover manager's perceptions of issues relating to the development of electronic business, qualitative research methodology was used. The research approach was through semi-structured in-depth interviews of about one hour duration.

Research included 26 in-depth interviews with direct report senior managers. Sixteen were senior managers in 5 telecommunication related organisations (including the largest operators in Australia, Telstra and Optus, and in New Zealand; Clear, Telecom NZ, EFSPOS. On the user side, 10 in-depth interviews were conducted in the two largest Australian banks (Westpac and NAB).

Research Implications on Marketing Strategy

From this latest qualitative research, three were a number of elements which are likely to impact on the process and pace of EB enablement being carried out in the organisations covered in this research project.

EB was seen by some telco managers as being a new way of doing business and therefore required careful thought on how it should be coordinated and integrated with the traditional business operations. They feel that they may be facing a transformation in terms of the way business may be conducted in the future compared the past. New processes were seen as being necessary to facilitate EB, rather than attempting to adapt old or existing business processes. Pressures of competition and customer expectations of EB solutions were said to be the key force driving EB enablement of the banks. Managers see the primary benefit of EB as providing the potential to reduce operating costs and to improve market reach and penetration.

While bank managers wanted more funds allocated for EB marketing project investments. Some respondents mentioned that it was difficult to decide between EB investment projects and traditional investments as the returns on EB projects were difficult to determine with any certainty.

As the concept of EB was relatively new and still in its early development phases, few managers believed that their organisations had a clear vision for EB. Notwithstanding the lack of an EB vision, there was generally a strong commitment to the process of building EB enablement to ensure successful survival in the competitive operating environment.

Primary drivers of the move towards EB enablement were customer expectations for EB services, competitive forces and the need to reduce operating costs.

The main factor mentioned as inhibiting the process of EB enablement was related to people's capability including their attitude, knowledge, skills that would be necessary to market effectively in an EB environment.

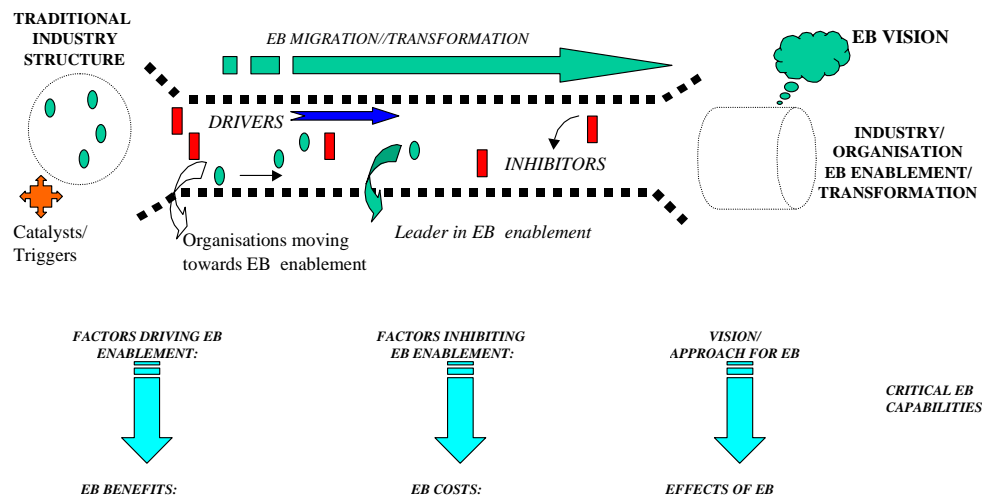
Critical capability for EB enablement for telcos was seen to be having people who are able to understand and implement EB marketing strategies. Leadership and change management were the two most mentioned factors in banking. There was an increasing recognition of looking to alliance partners to provide supporting capabilities and skills to assist in the EB marketing enablement process.

Managers mentioned that the EB enablement process needed to be driven from a market and customer perspective rather than from an internal administrative or IT orientation. Speed to market was a factor in deciding whether to be an industry leader or follower. Rapid implementation of EB strategies was a critical factor in staying ahead of the competition.

A transformation model has been developed to demonstrate how electronic developments may impact on the dynamics of an industry. This is shown as Figure 2 and reflects insights from this latest research. Managers participating in this research generally were aware of pressures and incentives in becoming EB enabled, thus transforming the business from its traditional form of operation. This research identified some of the effects, drivers, inhibitors, costs and benefits of moving towards an EB vision.

Within any identified industry of competitive group, there will be a competitive market leader with other organisations following along the migration path towards an EB enabled future. In addition to individual organisations transforming, industries may also transform into new clusters or networks that will market their products and services in the emerging electronic economy.

Figure 2; Electronic Business Transformation Model



Future Research

This exploratory research provided some useful insights into the marketing issues that managers contemplated in the race to becoming EB enabled. Limitations of the research need to be acknowledged in reading the findings. These included the small sample of managers participating in the research and the fact that they were selected on the basis of their availability rather than on an objective sampling rationale. Another limitation was the small number of organisations taking part and therefore limits the generalisability of any findings.

Future research should include other types of organisations and their manager's perspective of key EB issues and priorities. Quantitative research would probe the dimension of marketing issues mentioned in the findings of this research so that their relevance and importance could be assessed within particular types of organisations and industry groups.

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